

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

SUPPLEMENTAL COMPLIANCE REPORT
OF
FAYETTE COUNTY SCHOOL CORPORATION
FAYETTE COUNTY, INDIANA
July 1, 2013 to June 30, 2015



FILED
09/23/2017

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Federal Findings:	
Finding 2015-001 - Internal Controls over Preparation of the Schedule of Expenditures of Federal Awards.....	4
Finding 2015-002 - Internal Controls over Child Nutrition Cluster.....	5-6
Finding 2015-003 - Suspension and Debarment.....	7-8
Finding 2015-004 - Allowable Costs/Cost Principles.....	8-9
Corrective Action Plan.....	10-14
Exit Conference.....	15

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director of Finance/Treasurer	Jane Kellam-Tollett	07-01-13 to 06-30-18
Superintendent of Schools	Dr. Russell Hodges Scott Collins	07-01-13 to 01-31-17 02-01-17 to 06-30-18
President of the School Board	Ralph Burchett Leslie Jacobs	07-01-13 to 12-31-16 01-01-17 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE FAYETTE COUNTY SCHOOL
CORPORATION, FAYETTE COUNTY, INDIANA

This report is supplemental to our audit report of the Fayette County School Corporation (School Corporation), for the period from July 1, 2013 to June 30, 2015. It has been provided as a separate report so that the reader may easily identify any Federal Findings that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report.

Any Corrective Action Plan for the Federal Findings, incorporated within this report, was not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

August 30, 2017

FAYETTE COUNTY SCHOOL CORPORATION
FEDERAL FINDINGS

**FINDING 2015-001 - INTERNAL CONTROLS OVER PREPARATION
OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Condition

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Director of Finance was the person solely responsible for preparation and submission of the SEFA. There was no segregation of duties documented, such as an oversight, review, approval process, or other compensating control.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA could remain undetected.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FAYETTE COUNTY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2015-002 - INTERNAL CONTROLS OVER CHILD NUTRITION CLUSTER

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2014, FY 2015

Pass-Through Entity: Indiana Department of Education

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Cash Management, Eligibility, Program Income, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - Paid Lunch Equity.

Cash Management (School Breakfast Program and National School Lunch Program)

The School Corporation had not established a control to ensure that the School Lunch fund's net cash resources did not exceed the three months average expenditures.

Eligibility (School Breakfast Program and National School Lunch Program)

The School Corporation had not established an effective control over the determination of eligibility for free and reduced priced meals. The School Corporation contracted with an outside company, whose employees determined eligibility during the audit period. There was no documentation of an oversight, review process, or other compensating control to ensure eligibility was properly determined.

Program Income (School Breakfast Program and National School Lunch Program)

The School Corporation had not established an effective control to ensure program income was properly recorded in the financial records. Program income was posted based upon a spreadsheet prepared by the Assistant Food Service Director. There was no control in place to ensure the spreadsheet agreed to sales figures reported in the School Corporation's Food Service program.

Reporting

The Food Service Director prepared and submitted the School Food Authority (SFA) Verification Collection Reports and the Annual Financial Report and the Assistant Food Service Director prepared and submitted the Sponsor Claim (claims for reimbursement); however, there was no control in place to ensure that the reports were correct.

*Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)
(School Breakfast Program and National School Lunch Program)*

The School Corporation performed the necessary verifications of free and reduced price applications; however, there was no documentation that an oversight, review process, or other compensating control had been established to ensure accuracy of the verifications performed.

FAYETTE COUNTY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Special Tests and Provisions - Paid Lunch Equity (National School Lunch Program)

The School Corporation had not designed or implemented adequate policies or procedures to ensure that the paid lunch equity calculations were accurate. The Food Service Director was responsible for compliance with paid lunch equity requirements. An oversight, review process, or other compensating control had not been established.

Context

The lack of controls over the compliance requirements noted above was a systemic problem. There were no documented internal controls for these compliance requirements during the audit period.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirements listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FAYETTE COUNTY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2015-003 - SUSPENSION AND DEBARMENT

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Number: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2014, FY 2015

Pass-Through Entity: Indiana Department of Education

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement. There were no controls in place to ensure that vendors were not suspended or debarred from participation in federal programs.

The School Corporation did not comply with the Suspension and Debarment requirements to verify that awarded contracts exceeding \$25,000 were not with suspended or debarred entities. They failed to provide evidence that a search of the SAM exclusions was conducted; that certification from the entity was collected; or that a clause or condition was added to the contract.

Context

This was a systemic problem. The School Corporation failed to comply with the Procurement and Suspension and Debarment compliance requirement throughout the audit period.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Procurement and Suspension and Debarment compliance requirement.

FAYETTE COUNTY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish effective internal controls enabled noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement. We also recommended that the School Corporation comply with the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2015-004 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Education

Federal Program: Improving Teacher Quality State Grants

CFDA Number: 84.367

Federal Award Numbers and Years (or Other Identifying Numbers): 11-2395, 12-2395, 13-2395, 14-2395

Pass-Through Entity: Indiana Department of Education

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

The School Corporation was required to maintain Semi-Annual Certifications to support salaries and wages charged to the federal program. There were no Semi-Annual Certifications maintained by the School Corporation.

Context

The lack of controls was a systemic problem for the entire period. No certifications to support salaries and wages were maintained by the School Corporation.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

FAYETTE COUNTY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

OMB Circular A-87, Attachment B, section 8h(3) states:

"Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee."

Cause

Management had not developed a system of internal controls to ensure compliance with the Allowable Costs/Cost Principles compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected, which could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirement listed above, to ensure compliance with the Allowable Costs/Cost Principles requirements of the program.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.



Fayette County School Corporation

1401 Spartan Drive • Connersville, IN 47331
Phone (765) 825-2178 • Fax (765) 825-8060

CORRECTIVE ACTION PLAN

FINDING 2015-001

Contact Person Responsible for Corrective Action: Jane Kellam-Tollett, Director of Finance
Scott Collins, Superintendent

Contact Phone Number: (765) 825-2178

Views of Responsible Official: The responsible official acknowledges receipt of the federal finding.

Description of Corrective Action Plan:

Preparation of the Schedule of Expenditures of Federal Awards: The Director of Finance will prepare the Schedule of Federal Awards (SEFA). The Schedule of Federal Awards (SEFA) will be printed from the Indiana Gateway website and forwarded to the Superintendent for review along with supporting documentation. The Superintendent will review for accuracy, sign attesting to the accuracy and return the SEFA document to the Director of Finance. The Director of Finance will submit the Annual Report including the SEFA after receiving the Superintendent's approval.

All documentation will be maintained in the Annual Report File for the applicable year, the file can be found in the Director of Finance's office.

Anticipated Completion Date: Completion will be with the submission of the 2016-2017 Annual Report, including the 2016-2017 Schedule of Federal Awards (SEFA).

(Signature)

Director of Finance

(Title)

August 29, 2017

(Date)



Fayette County School Corporation

1401 Spartan Drive • Connersville, IN 47331
Phone (765) 825-2178 • Fax (765) 825-8060

FINDING 2015-002

Contact Person Responsible for Corrective Action: Jane Kellam-Tollett, Director of Finance
Rachel O'Brien, Food Service Director

Contact Phone Number: (765) 825-2178

View of Responsible Official: The responsible official acknowledges receipt of the federal finding. As noted by the auditors, there were no questioned costs identified.

Description of Corrective Action Plan:

1. **Cash Management:** A spreadsheet will be created to calculate a three month average of expenditures and compare that amount with the month-end cash balance of the school lunch fund. The expenditure amounts will come from the financial accounting system's fund and budget history reports. The Director of Finance will maintain the spreadsheet. The spreadsheet will be reviewed monthly by the Director of Food Service (Assistant Director of Food Service in the absence of the Food Service Director). The document will be signed or initialed and dated monthly by the Director of Finance and the Director of Food Service. Cash balance will be maintained at an acceptable amount. Excess amounts will be reported to the Indiana division of school nutrition along with a plan for expenditure. The spreadsheet and supporting documentation will be kept in accordance with the state and federal retention guidelines.
2. **Eligibility:** Beginning during the 2016-2017 school year, free and reduced price meal applications are reviewed and approved by the food service administrative assistant and a second review/verification is conducted by the Assistant Food Service Director for accuracy. The food service administrative assistant will enter the student status into the food service software. The assistant food service director will review data entered into the software for accuracy. All documents will be kept in accordance with state and federal record retention guidelines. A monthly narrative report will be made to the Director of Finance and kept in the Food Service Internal Control Notebook.
3. **Program Income:** The school corporation has already established a spreadsheet for comparing daily cash receipts posted to the system with the deposits into the bank. Additionally, the daily deposits are reconciled to the bank statement. A monthly spreadsheet detailing all collections and self balancing feature to prepaid account balances, the listing of positive account balances, and negative accounts balance reports are submitted monthly to the Director of Finance for review and comparison to the balance reports of material discrepancies. These documents are maintained in the Director of Finance's office and will be kept in accordance with state and federal retention guidelines. A monthly report will be made to the Director of Finance and kept in the Food Service Internal Control notebook.
4. **Reporting:** The Food Service Director (or Assistant Director in the absence of the Director) will complete the monthly reimbursement requests and the Annual Financial Report. The reports will be forwarded along with the supporting documentation to the Director of Finance for review and verification prior to submission and a copy will be maintained in the Food Service Internal Control notebook. The Director of Finance will initial and date the reports. All documents will be kept in accordance with state and federal retention guidelines.

5. Special Tests and Provisions—Verification of Free and Reduced Price Applications—Beginning during the 2016-2017 school year, free and reduced price meal applications are reviewed and approved by the food service administrative assistant and a second review/verification is conducted by the Assistant Food Service Director for accuracy. Additionally, the food service director will pull 5% of the free and reduced applications reviewed by the administrative assistant and the assistant director of the school corporation. The applications for the second audit will be selected at random. The director of food service will initial and date the applications that are reviewed a second time. A monthly report will be made to the Director of Finance and kept in the Food Service Internal Control Notebook.
6. Special Tests and Provisions-Paid Lunch Equity --The Food Service Director (or Assistant Director in the absence of the Director) will complete the paid lunch equity calculations annually. The calculations will be provided to the Director of Finance for review and for presentation to the Board of School trustees in consideration for paid lunch rate changes. A copy will be maintained in the Food Service Internal Control notebook. All documentation will be kept in accordance with state and federal retention guidelines.

Anticipated Completion Date: As referenced above, some items have already been completed since the close of the 2013-2015 audit period. Additional controls began with start of the 2017-2018 school year.



(Signature)

Director of Finance

(Title)

August 29, 2017

(Date)



Fayette County School Corporation

1401 Spartan Drive • Connersville, IN 47331
Phone (765) 825-2178 • Fax (765) 825-8060

FINDING 2015-003

Contact Person Responsible for Corrective Action: Jane Kellam-Tollett, Director of Finance
Rachel O'Brien, Director of Food Service

Contact Phone Number: (765) 825-2178

Views of Responsible Official: The responsible official acknowledges receipt of the federal finding. As noted by the auditors, no questioned costs were identified.

Description of Corrective Action Plan: Fayette County School Corporation will print the supporting documentation from SAM for required contractors. Documentation will be maintained in the Food Service Internal Control Notebook. All documentation will be kept in accordance with state and federal retention schedules.

Anticipated Completion Date: Additional controls began with the start of 2017-2018 school year.

(Signature)

Director of Finance

(Title)

August 29, 2017

(Date)



Fayette County School Corporation

1401 Spartan Drive • Connersville, IN 47331
Phone (765) 825-2178 • Fax (765) 825-8060

FINDING 2015-004

Contact Person Responsible for Corrective Action: Jane Kellam-Tollett, Director of Finance
Various Federal Grant Administrators

Contact Phone Number: (765) 825-2178

Views of Responsible Official: The responsible official acknowledges receipt of the federal finding.

Description of Corrective Action Plan: Time and effort logs for each federal program are maintained in a notebook in the Director of Finance's office.

Anticipated Completion Date: Time and effort logs are maintained in a notebook in the Director of Finance's office beginning with the 201-2017 school year.

Jane Kellam-Tollett

(Signature)

Director of Finance

(Title)

August 29, 2017

(Date)

FAYETTE COUNTY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on August 30, 2017, with Jane Kellam-Tollett, Director of Finance/Treasurer; Kim Corsaro, Assistant Superintendent of Schools; and Leslie Jacobs, President of the School Board.